

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Woodland	County Barry
Fiscal Year End 3/31/07	Opinion Date June 26, 2007	Date Audit Report Submitted to State July 30, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

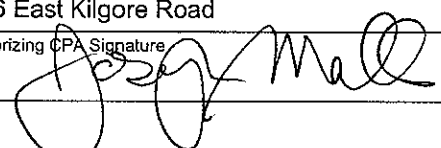
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No further communication required	
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number 269.381.4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		Zip 49002	
Authorizing CPA Signature 		Printed Name Joseph M Walls, CPA	License Number 1101013696

*Township of Woodland*  
*Barry County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2007*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Township of Woodland***  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the Township of Woodland's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Township's total net assets increased by \$124 thousand (10 percent) as a result of this year's activities.
- Of the \$1.39 million total net assets reported, \$808 thousand (58 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$797 thousand, which represents 218 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
  - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Government-wide financial statements**

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

**Township of Woodland**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) are one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present *governmental activities*. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, library, etc.). Property taxes and state grants generally fund these services.

**Fund financial statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like the Road Debt Fund, a major fund) or to show that it is properly using certain other revenues (like the Road Fund).

The Township has two kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship between them.
- **Fiduciary funds.** These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**Township of Woodland**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

**Net assets.** Total net assets at the end of the fiscal year were \$1.39 million. Of this total, \$315 thousand is invested in capital assets. \$192 thousand is restricted for public works, and \$72 thousand is restricted for debt service. Consequently, unrestricted net assets were \$808 thousand.

Condensed financial information  
Net Assets

	<i>Governmental activities</i>	
	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 1,073,603	\$ 966,750
Capital assets	<u>388,835</u>	<u>382,130</u>
<b>Total assets</b>	<b><u>1,462,438</u></b>	<b><u>1,348,880</u></b>
Other liabilities	1,341	1,864
Long-term debt	<u>74,000</u>	<u>84,000</u>
<b>Total liabilities</b>	<b><u>75,341</u></b>	<b><u>85,864</u></b>
Net assets:		
Invested in capital assets, net of related debt	314,835	298,130
Restricted	264,115	89,598
Unrestricted	<u>808,147</u>	<u>875,288</u>
<b>Total net assets</b>	<b><u>\$ 1,387,097</u></b>	<b><u>\$ 1,263,016</u></b>

**Township of Woodland**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Changes in net assets.** The Township's total revenues are \$492 thousand. Nearly 57 percent of the Township's revenues come from property taxes and 23 percent come from state grants.

The total cost of all the Township's programs, covering a wide range of services, totaled \$368 thousand. About 35 percent of the Township's costs relate to the provision of public works. Public safety costs account for 25 percent and general government costs are 29 percent of the Township's total expenses.

*Condensed financial information*  
*Changes in Net Assets*

	<i>Governmental activities</i>	
	<u>2007</u>	<u>2006</u>
Program revenues:		
Charges for services	\$ 52,592	\$ 65,725
Operating grants and contributions	4,087	4,402
Capital grants and contributions	6,467	-
General revenues:		
Property taxes	278,968	262,541
State shared revenue	111,158	112,368
Franchise fees	1,318	1,378
Interest income	31,839	20,381
Miscellaneous	5,664	1,340
<b>Total revenues</b>	<b><u>492,093</u></b>	<b><u>468,135</u></b>
Expenses:		
Legislative	1,842	1,731
General government	107,278	102,132
Public safety	93,120	86,225
Public works	129,783	87,576
Health and welfare	10,645	10,645
Culture and recreation	22,722	21,599
Interest	2,622	2,835
<b>Total expenses</b>	<b><u>368,012</u></b>	<b><u>312,743</u></b>
<b>Increase in net assets</b>	<b><u>\$ 124,081</u></b>	<b><u>\$ 155,392</u></b>



**Township of Woodland**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Governmental activities.** Governmental activities increased the Township's net assets by \$124 thousand compared to \$155 thousand last year. Changes in individual categories of net expenses or general revenues were generally not significant, although the gross expenses for public works were approximately \$42 thousand to reflect increased road maintenance projects.

The cost of all governmental activities this year was close to \$368 thousand. After subtracting the direct charges to those who directly benefited from the programs (\$53 thousand), and operating and capital grants (\$11 thousand), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$304 thousand, compared to \$313 thousand in 2006.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

**Governmental funds.** As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,013,011, an increase of \$119,315 over the prior year. Of the total fund balances, 80 percent constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) for future road projects (\$192 thousand).

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$797 thousand, which increased by \$126 thousand during the fiscal year compared to \$671 thousand in 2006. Total revenues and expenditures in the General Fund for 2007 were comparable to 2006.

The Road Fund experienced no change in fund balance as all property taxes collected are then remitted to the General Fund for payment of road maintenance.

The Debt Fund experienced an increase in fund balance of \$1,101 during the fiscal year because the Township received assessment payoffs during the fiscal year.

**General Fund budgetary highlights**

Budgeted expenditures were increased by \$1,390 during the year to reflect anticipated cost increases. The difference between the actual and budgeted amounts (\$54,366) can be attributed to decisions to limit expenditures throughout the year.

***Township of Woodland***  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Capital assets and debt administration**

*Capital assets*

The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounts to \$389 thousand (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, equipment, and vehicles. The increase in the Township's net investment in capital assets for the current fiscal year was \$7 thousand, comprised of fire tanker upgrades, election equipment and a trade-in of (2) commercial mowers.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

*Long-term debt*

At the end of the fiscal year, the Township had bonds payable outstanding in the amount of \$74,000 which represents a decrease of \$10,000 or 12 percent. These bonds are secured solely by specific revenue sources (i.e., special assessment bonds) of the Road Debt Fund.

More detailed information about the Township's long-term liabilities is presented in Note 7 of the notes to the basic financial statements.

**Economic condition and outlook**

Small increases in property taxes are again expected in 2007, resulting in an overall increase in total revenues. The Township plans to maintain all ongoing programs for 2007. Certain costs, for example for public safety services, are likely to increase.

**Contacting the Township's financial management**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

David E. Bursley, Township Supervisor  
Township of Woodland  
156 S. Main Street  
Woodland, Michigan 48897

Phone: (269) 367-4359

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Township of Woodland, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Woodland, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Woodland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Woodland, Michigan, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, on pages i through vi, and the budgetary comparison information on pages 15 through 17, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Siegfried Crandall P.C.*

June 26, 2007

## **BASIC FINANCIAL STATEMENTS**

**Township of Woodland**  
**STATEMENT OF NET ASSETS**  
*March 31, 2007*

	<b><u>Governmental activities</u></b>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 974,407
Receivables, net	49,040
Prepaid expenses	<u>4,693</u>
Total current assets	<u>1,028,140</u>
Noncurrent assets:	
Receivables, net	45,463
Capital assets not being depreciated	15,000
Capital assets, net of accumulated depreciation	<u>373,835</u>
Total noncurrent assets	<u>434,298</u>
Total assets	<u>1,462,438</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	1,341
Current portion of long term debt	<u>10,000</u>
Total current liabilities	<u>11,341</u>
Noncurrent liabilities:	
Long term debt	<u>64,000</u>
Total liabilities	<u>75,341</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	314,835
Restricted for:	
Perpetual care	6,396
Public works	191,631
Debt service	72,484
Unrestricted	<u>801,751</u>
Total net assets	<u>\$ 1,387,097</u>

*See notes to financial statements*

**Township of Woodland**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2007

	<u>Program revenues</u>				<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
<b>Functions/Programs</b>					
Governmental activities:					
Legislative	\$ 1,842	\$ -	\$ -	\$ -	\$ (1,842)
General government	107,278	31,791	-	6,467	(69,020)
Public safety	93,120	18,910	2,048	-	(72,162)
Public works	129,783	-	422	-	(129,361)
Health and welfare	10,645	-	-	-	(10,645)
Culture and recreation	22,722	-	1,617	-	(21,105)
Debt service - interest	2,622	1,891	-	-	(731)
Total governmental activities	<u>\$ 368,012</u>	<u>\$ 52,592</u>	<u>\$ 4,087</u>	<u>\$ 6,467</u>	<u>(304,866)</u>
General revenues:					
Taxes					278,968
State grants					111,158
Franchise fees					1,318
Investment income					31,839
Other					<u>5,664</u>
Total general revenues					<u>428,947</u>
Change in net assets					124,081
Net assets - beginning					<u>1,263,016</u>
Net assets - ending					<u>\$ 1,387,097</u>

See notes to financial statements

**Township of Woodland**  
**BALANCE SHEET - governmental funds**  
March 31, 2007

	<u>General</u>	<u>Road</u>	<u>Road Debt</u>	<u>Total governmental funds</u>
<b>ASSETS</b>				
Cash	\$ 959,577	\$ -	\$ 14,830	\$ 974,407
Receivables	<u>36,849</u>	<u>-</u>	<u>57,654</u>	<u>94,503</u>
Total assets	<u>\$ 996,426</u>	<u>\$ -</u>	<u>\$ 72,484</u>	<u>\$ 1,068,910</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 1,341	\$ -	\$ -	\$ 1,341
Deferred revenue	<u>-</u>	<u>-</u>	<u>54,558</u>	<u>54,558</u>
Total liabilities	<u>1,341</u>	<u>-</u>	<u>54,558</u>	<u>55,899</u>
Fund balances:				
Reserved for :				
Roads	191,631	-	-	191,631
Perpetual care and memorials	6,396	-	-	6,396
Unreserved, undesignated	<u>797,058</u>	<u>-</u>	<u>17,926</u>	<u>814,984</u>
Total fund balances	<u>995,085</u>	<u>-</u>	<u>17,926</u>	<u>1,013,011</u>
Total liabilities and fund balances	<u>\$ 996,426</u>	<u>\$ -</u>	<u>\$ 72,484</u>	<u>\$ 1,068,910</u>

Total fund balance - total governmental funds \$ 1,013,011

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 388,835

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds. 4,693

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 54,558

Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. (74,000)

Net assets of governmental activities \$ 1,387,097

See notes to financial statements

**Township of Woodland**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - governmental funds**  
Year ended March 31, 2007

	<u>General</u>	<u>Road</u>	<u>Road Debt</u>	<u>Total governmental funds</u>
<b>REVENUES</b>				
Taxes	\$ 186,145	\$ 114,846	\$ -	\$ 300,991
Federal grants	2,048	-	-	2,048
State grants	113,197	-	-	113,197
Charges for services	22,109	-	-	22,109
Fines and forfeitures	3,873	-	-	3,873
Interest and rentals	32,038	-	1,892	33,930
Other	9,478	-	11,831	21,309
	<u>368,888</u>	<u>114,846</u>	<u>13,723</u>	<u>497,457</u>
Total revenues				
<b>EXPENDITURES</b>				
Legislative	1,842	-	-	1,842
General government	98,169	-	-	98,169
Public safety	85,165	-	-	85,165
Public works	129,783	-	-	129,783
Health and welfare	10,645	-	-	10,645
Culture and recreation	22,507	-	-	22,507
Capital outlay	17,409	-	-	17,409
Debt service:				
Principal	-	-	10,000	10,000
Interest	-	-	2,622	2,622
	<u>365,520</u>	<u>-</u>	<u>12,622</u>	<u>378,142</u>
Total expenditures				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,368</b>	<b>114,846</b>	<b>1,101</b>	<b>119,315</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	114,846	-	-	114,846
Transfers out	-	(114,846)	-	(114,846)
	<u>114,846</u>	<u>(114,846)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)				
<b>NET CHANGE IN FUND BALANCES</b>	<b>118,214</b>	<b>-</b>	<b>1,101</b>	<b>119,315</b>
<b>FUND BALANCES - BEGINNING</b>	<b>876,871</b>	<b>-</b>	<b>16,825</b>	<b>893,696</b>
	<u>876,871</u>	<u>-</u>	<u>16,825</u>	<u>893,696</u>
<b>FUND BALANCES - ENDING</b>	<b>\$ 995,085</b>	<b>\$ -</b>	<b>\$ 17,926</b>	<b>\$ 1,013,011</b>
	<u>\$ 995,085</u>	<u>\$ -</u>	<u>\$ 17,926</u>	<u>\$ 1,013,011</u>

See notes to financial statements



**Township of Woodland**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - governmental funds (Continued)**  
*Year ended March 31, 2007*

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Net change in fund balances - total governmental funds	\$ 119,315
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Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Capital assets:

Additions	59,957
Disposals	(13,257)
Depreciation	(39,995)

Long-term debt:

Retirements	10,000
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Other asset/liabilities:

Net decrease in prepaid expenses	(108)
Net decrease in deferred revenue	<u>(11,831)</u>

Change in net assets of <i>governmental activities</i>	<u>\$ 124,081</u>
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**Township of Woodland**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Woodland, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

***Township of Woodland***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for Township road maintenance financed through property taxes.

The Road Debt Fund accounts for Township road improvements financed through special assessments, and the related debt service expenditures.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted as they are needed.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Township of Woodland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity (Continued):**

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Gains or losses as a result of trade-ins are adjusted through the cost of the new asset acquired. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 50 years
Equipment	5 - 15 years
Vehicles	5 - 20 years
Roads	40 years

*v) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vi) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**Township of Woodland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Road	Other financing uses	\$ 109,159	\$ 114,846	\$ (5,687)

**NOTE 3 - CASH:**

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2007, the Township had deposits with a carrying amount of \$974,407.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$439,101 of the Township's bank balances of \$555,534 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the Township's individual major funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Inter- governmental</u>	<u>Totals</u>
General	\$ 1,318	\$ 17,281	\$ -	\$ 18,250	\$ 36,849
Road Debt	-	-	57,654	-	57,654
Totals	<u>\$ 1,318</u>	<u>\$ 17,281</u>	<u>\$ 57,654</u>	<u>\$ 18,250</u>	<u>\$ 94,503</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,463</u>	<u>\$ -</u>	<u>\$ 45,463</u>

All receivables are considered fully collectible.

**Township of Woodland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 15,000	\$ -	\$ -	\$ 15,000
Capital assets being depreciated:				
Buildings and improvements	263,319	-	-	263,319
Equipment	163,902	23,217	(15,297)	171,822
Vehicles	<u>315,345</u>	<u>36,740</u>	<u>(13,550)</u>	<u>338,535</u>
Subtotal	<u>742,566</u>	<u>59,957</u>	<u>(28,847)</u>	<u>773,676</u>
Less accumulated depreciation for:				
Buildings and improvements	(105,384)	(5,826)	-	(111,210)
Equipment	(64,824)	(11,910)	2,040	(74,694)
Vehicles	<u>(205,228)</u>	<u>(22,259)</u>	<u>13,550</u>	<u>(213,937)</u>
Subtotal	<u>(375,436)</u>	<u>(39,995)</u>	<u>15,590</u>	<u>(399,841)</u>
Total capital assets being depreciated, net	<u>367,130</u>	<u>19,962</u>	<u>(13,257)</u>	<u>373,835</u>
Governmental activities capital assets, net	<u>\$ 382,130</u>	<u>\$ 19,962</u>	<u>\$ (13,257)</u>	<u>\$ 388,835</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 6,505
Public safety	33,259
Recreation and culture	<u>231</u>
Total governmental activities	<u>\$ 39,995</u>

**NOTE 6 - DEFERRED REVENUE:**

Governmental funds report deferred revenues in connection with revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenues consist of unavailable special assessments.

**Township of Woodland**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 7 - LONG-TERM DEBT:**

Long-term debt at March 31, 2007, is comprised of the following individual issues:

*Bonds payable:*

\$95,000, 2003 Road special assessment limited tax general obligation bond; due in annual installments of \$1,000 to \$14,000, plus interest at 1.80% to 4.30% through June 2013. \$ 74,000

Long-term debt activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Bonds payable	\$ 84,000	\$ -	\$ 10,000	\$ 74,000	\$ 10,000

Debt service requirements at March 31, 2007, were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended March 31:		
2008	\$ 10,000	\$ 2,390
2009	10,000	2,132
2010	10,000	1,847
2011	10,000	1,532
2012	10,000	1,184
2013 - 2014	<u>24,000</u>	<u>1,103</u>
Totals	<u>\$ 74,000</u>	<u>\$ 10,188</u>

**NOTE 8 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**Township of Woodland**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 176,222	\$ 176,222	\$ 186,145	\$ 9,923
Federal grants	-	-	2,048	2,048
State grants	116,867	116,867	113,197	(3,670)
Charges for services	17,980	17,980	22,109	4,129
Fines and forfeitures	4,000	4,000	3,873	(127)
Interest and rentals	15,400	15,400	32,038	16,638
Other	3,060	3,060	9,478	6,418
	<u>333,529</u>	<u>333,529</u>	<u>368,888</u>	<u>35,359</u>
<b>EXPENDITURES</b>				
Legislative	<u>1,842</u>	<u>1,842</u>	<u>1,842</u>	<u>-</u>
General government:				
Supervisor	6,477	6,477	5,827	650
Election	4,950	6,043	4,098	1,945
Assessor	14,374	14,374	14,106	268
Clerk	13,547	13,547	12,953	594
Board of review	1,200	1,425	1,421	4
Treasurer	15,941	15,941	15,016	925
Hall and grounds	9,847	9,847	6,603	3,244
Cemetery	18,986	18,986	15,828	3,158
Other	56,639	51,214	22,317	28,897
	<u>141,961</u>	<u>137,854</u>	<u>98,169</u>	<u>39,685</u>
Public safety:				
Police	20,560	20,560	17,797	2,763
Fire	65,887	71,087	67,368	3,719
	<u>86,447</u>	<u>91,647</u>	<u>85,165</u>	<u>6,482</u>
Public works:				
Highways and streets	126,446	126,446	125,446	1,000
Drains	3,250	3,250	4,337	(1,087)
	<u>129,696</u>	<u>129,696</u>	<u>129,783</u>	<u>(87)</u>
Health and welfare - ambulance	<u>10,645</u>	<u>10,645</u>	<u>10,645</u>	<u>-</u>

*Township of Woodland*  
**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**  
*Year ended March 31, 2007*

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (Continued)</b>				
Culture and recreation - library	\$ 25,727	\$ 26,024	\$ 22,507	\$ 3,517
Capital outlay	22,178	22,178	17,409	4,769
Total expenditures	418,496	419,886	365,520	54,366
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(84,967)	(86,357)	3,368	89,725
<b>OTHER FINANCING SOURCES</b>				
Transfer from Road Fund	109,159	109,159	114,846	(5,687)
<b>NET CHANGE IN FUND BALANCES</b>	24,192	22,802	118,214	84,038
<b>FUND BALANCES - BEGINNING</b>	876,871	876,871	876,871	-
<b>FUND BALANCES - ENDING</b>	\$ 901,063	\$ 899,673	\$ 995,085	\$ 84,038

**Township of Woodland**  
**BUDGETARY COMPARISON SCHEDULE - Road Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 109,159	\$ 109,159	\$ 114,846	\$ 5,687
<b>OTHER FINANCING USES</b>				
Transfer to General Fund	<u>(109,159)</u>	<u>(109,159)</u>	<u>(114,846)</u>	<u>(5,687)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-
<b>FUND BALANCES - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Members of the Township Board  
Township of Woodland, Michigan**

In planning and performing our audit of the financial statements of the Township of Woodland as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Woodland's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Woodland and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

June 26, 2007